

ISSUE DATE: November 14, 1997

DOCKET NO. P-535, 421/CP-96-425

ORDER ESTABLISHING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Edward A. Garvey  
Joel Jacobs  
Marshall Johnson  
Gregory Scott  
Don Storm

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition for Extended Area  
Service From Racine to Rochester and  
Stewartville

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**PROCEDURAL HISTORY**

On April 18, 1996, subscribers in the Racine exchange submitted a petition for Extended Area Service (EAS) to the Stewartville and Rochester exchanges. Racine is served by Home Telephone Company (Home) and Stewartville and Rochester are served by U S WEST Communications, Inc. (USWC).

On June 3, 1996, Home submitted a traffic study.

On June 5, 1996, the Minnesota Department of Public Service (the Department) filed comments with the Commission recommending that the Commission direct the affected telephone companies to file cost studies and proposed rates.

On October 4, 1996, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES.

Between January 31 and February 10, 1997, Home and USWC filed initial and revised cost studies and proposed rates.

On March 28, 1997, the Department filed comments.

The Commission met to consider this matter on October 21, 1997.

**FINDINGS AND CONCLUSIONS**

**I. REVENUE REQUIREMENT ISSUES**

**A. Lost Access Contribution**

**1. The Department's Comments**

The Department agreed with the affected companies' calculations of lost toll and access *revenues*.

However, the Department expressed concern that Home did not account for access *cost savings* that would arise when they no longer provide access service (for toll calls to and from Stewartville and Rochester) after they convert a toll route to an EAS route.

The Department suggested that Home has not accurately reported the lost access contribution.

The Department predicted that Home will see a cost savings if the route is converted from toll to EAS and thus will be financially better off, rather than income neutral as required by statute. The Department recommended that the Commission lower the company's revenue requirement to account for access *cost savings*.

## **2. Commission Analysis**

The Department raised the same point (alleged unaccounted-for access line cost savings) in the New Germany EAS docket, P-404, 407, 520, 405, 426, 427, 421, 430/CP-96-564. In an Order recently issued in that docket, the Commission stated:

The affected telephone companies have calculated their revenue requirements consistent with prior practice. The Commission cannot determine, on the basis of the record established in this matter, that the Department's access cost savings argument is correct and that the Commission should lower the revenue requirement of several affected telephone companies . . . to account for such alleged access cost savings. The Commission is particularly reluctant to make such a determination absent a clear showing, given the potential ramifications of such a finding on other dockets.<sup>1</sup>

In all relevant particulars, the circumstances of the present case are similar to those in the New Germany matter. The Department has not offered new or further evidence or argument. For the same reasons stated in the New Germany Order, the Commission will not accept the Department's proposed line access cost adjustment.

### **B. Facilities Costs**

The Commission has reviewed the companies' facilities cost, finds them reasonable and will approve them, as recommended by the Department.

## **II. COST ALLOCATION FOR RACINE**

Based on the record as a whole, including consideration of number of calls made from Racine to Stewartville and Rochester and community of interest factors between the exchanges, the Commission finds that it is equitable to allocate 60 percent of the costs to Racine, the petitioning exchange, and 40 percent of the costs to the petitioned Stewartville/Rochester local calling area, as recommended by the Department.

## **III. COST ALLOCATION BETWEEN THE PETITIONED EXCHANGES**

As to the allocation of costs between the two petitioned exchanges on this route (Stewartville and Rochester), the Commission finds it reasonable and consistent with previous practice to use the

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<sup>1</sup> In the Matter of a Petition for Extended Area Service From the New Germany Exchange of GTE Telephone Operations to the Metropolitan Calling Area, Docket No. P-404, 407, 520, 405, 426, 427, 421, 430/CP-96-564, ORDER ADOPTING RATES FOR POLLING (November 7, 1997) at page 3.

access line method, as recommended by the Department. Under the access line method, the EAS revenue requirement allocated to the petitioned exchanges is based on the relative number of access lines in each petitioned exchange.

#### **IV. COMMISSION ACTION**

Based on its analysis in the foregoing sections, the Commission will 1) accept Home's and USWC's cost studies, 2) adopt rates for Racine calculated to recover 60 percent of the revenue requirement from the petitioning exchange, and 3) adopt rates for the petitioned exchanges calculated to recover from each exchange the EAS revenue requirement allocated to each such exchange based on the relative number of access lines allocation method.

#### **ORDER**

1. The cost studies filed by Home Telephone Company (Home) and U S WEST Communications, Inc, (USWC) are accepted.
2. Racine EAS rates for polling, calculated to recover 60 percent of the total revenue requirement for the proposed EAS route, are hereby adopted. Those rates are as follows:

##### **Racine to Stewartville/Rochester: Rates for Racine**

##### **Approved Rate Additive for Racine**

<b>Service</b>	<b>Base</b>	<b>60/40</b>
Residential - One Party	\$13.80	\$16.99
Business - One Party	\$19.70	\$24.26
PBX & Key System	\$19.70	\$24.26
Semi-Public Paystation	\$19.70	\$24.26

3. The Commission hereby establishes the following rate additives for the petitioned Stewartville and Rochester exchanges:

##### **Racine to Stewartville and Rochester: Rates for Stewartville**

##### **Approved Rate Additive for Stewartville**

<b>Service</b>	<b>Base*</b>	<b>40/60</b>
Residential - One Party	\$15.40	\$0.07
Business - One Party	\$38.11	\$0.17
Measured Business	\$22.32	\$0.10
Trunk	\$38.18	\$0.18

\* Includes EAS charges to Rochester.

## Approved Rate Additive for Rochester

\* Includes EAS charges to Byron, Chatfield, Elgin, Eyota, Kasson/Mantorville, Oronoco, Pine Island, Rock Dell Stewartville, St. Charles, Zumbro Falls and Zumbrota.

4. Home shall cooperate fully with Commission staff and contractors to conduct a poll of telephone subscribers in the Racine exchange. As part of this cooperation, Home shall
  - a. provide usable, deliverable addresses for all access lines in a format and according to a schedule established by Commission staff;
  - b. provide proof of the accuracy of the customer list as requested by Commission staff; and
  - c. provide a list of Racine subscribers as of the date specified by Commission staff for polling the Racine exchange.
5. This Order shall become effective immediately.

Burl W. Haar  
Executive Secretary

(S E A L)

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